

TITLE IV PROPERTY TAXES

SUBTITLE A

TAX ON LAND AND BUILDINGS

CHAPTER I IN GENERAL

SEC. 401. TAX IMPOSED.

(a) GENERAL RULE. — A tax is hereby imposed each year on immovable property situated in Progresa.

(b) AMOUNT OF TAX. — The amount of the tax on any property for any taxable year is the sum of —

(1) the product of the land rate and the land base of such property for such year, plus

(2) the product of the building rate and the building base of such property for such year.

(c) APPLICABLE RATES. — For purposes of this subtitle —

(1) LAND RATE. — The land rate is the rate (not less than 1% and not more than 2%) set forth in the budget for the taxable year.

(2) BUILDING RATE. — The building rate is the rate (not less than 1% and not more than 2%) set forth in the budget for the taxable year.

SEC. 402. DEFINITIONS.

(a) **IMMOVABLE PROPERTY.** — For purposes of this subtitle, the term “immovable property” means land and the buildings attached thereto.

(b) **LAND.** — For purposes of this subtitle, the term “land” includes immovable improvements such as grading, drainage, roads, and utilities but does not include improvements constituting buildings.

(c) **BUILDING.** — For purposes of this subtitle, the term “building” means a building or other immovable structure (whether or not it has walls and a roof) attached to the land.

(d) **PROPERTY.** — For purposes of this subtitle, the term “property” means a distinct parcel or other unit of land (as identified in the manner provided by regulations) and the buildings attached to that land.

SEC. 403. LAND BASE.

(a) **IN GENERAL.** — The land base for property shall be determined by multiplying its area (in full square meters) by the average land value for the zone in which the property is located.

(b) **ESTABLISHMENT OF ZONES.** — The Property Office shall —

(1) divide all land in Progresa into broad categories consisting of industrial, commercial, agricultural, residential, forest, and open lands, and

(2) after taking into account such factors as prevailing use, location, availability of infrastructure and markets, and quality, establish within each broad category similar characteristic zones.

(c) AVERAGE LAND VALUE. — The average land value for any zone is the amount estimated by the Property Office to be the average fair market value (per square meter) for land (with no buildings) situated in such zone.

SEC. 404. BUILDING BASE.

(a) IN GENERAL. — The building base for any property shall be determined by multiplying the building's floor area (in full square meters), or other appropriate unit, by the adjusted replacement cost of such building. If there is more than one building on a property, the building base shall be the sum of the amounts for such buildings separately determined in the manner provided in the preceding sentence.

(b) REPLACEMENT COST. — The Property Office shall estimate the average per square meter (or other appropriate unit) cost of replacing buildings of differing uses and differing materials. Such average cost for any building shall be based on the average cost of constructing a new building for the same use and made of the same or similar materials and shall take into account costs in the principal construction areas of Progresa.

(c) ADJUSTMENT FOR DEPRECIATION. — The adjusted replacement cost for any building is its replacement cost (determined under subsection (b)), reduced by the depreciation factor specified in regulations for that building use and the materials concerned. In no event may the aggregate reduction under this subsection exceed 60 percent of the replacement cost of a building.

CHAPTER 2

EXEMPTIONS; BUILDING DEDUCTION; TAX THRESHOLD

SEC. 411. EXEMPTIONS.

(a) **IN GENERAL.** — The following properties shall be exempt from the tax imposed by section 401 —

(1) property owned by the government, a political subdivision thereof, or any agency of the government or a subdivision,

(2) property owned by an organization described in section 91(b)(2) (relating to nonprofit religious, charitable, scientific, literary, and educational organizations), and used exclusively to carry out the organization's exempt function, and

(3) property owned by a foreign government or international organization.

(b) **EXCEPTION FOR CERTAIN USES.** — Subsection (a) shall not apply to property used or held for use in a commercial-type activity or for the production of income.

(c) **REGISTRATION REQUIRED.** — No property shall be exempt under subsection (a) unless its ownership and use have been registered in such manner as the Tax Administrator shall prescribe by regulations.

SEC. 412. PRINCIPAL RESIDENCE DEDUCTION.

A natural person who, on or before February 1 of a taxable year, establishes (in the manner prescribed by regulations) that a building is his or her principal residence shall be allowed a deduction of PR 200,000 from the building base of that building for the taxable year.

SEC. 413. TAX THRESHOLD.

The tax imposed by section 401 on any property for any taxable year shall not apply if the tax liability does not exceed PR 200.

SEC. 414. ADJUSTMENT OF DEDUCTION AND THRESHOLD AMOUNTS.

The PR 200,000 amount in section 412 and the PR 200 amount in section 413 may be adjusted by the Executive Power from time to time, but only as part of the revaluation under section 422. In any case, for any taxable year the maximum amount allowable under section 412 shall be uniform for all taxpayers, and the tax threshold shall be uniform for all properties.

CHAPTER 3

PROPERTY VALUATION AND PROPERTY INFORMATION

SEC. 421. PROPERTY VALUATION METHODS.

The Tax Administrator shall prescribe by regulation uniform methods by which the Property Office shall determine the land base and building base of all immovable property.

SEC. 422. REVALUATION; INDEXATION.

(a) PERIODIC REVALUATION. — The Property Office shall review and update the land prices, the building replacement costs, the depreciation factors, the principal residence deduction, and the tax threshold not more frequently than once every 3 years and not less frequently than once every 5 years.

(b) INDEXATION. — In any taxable year not subject to the periodic review described in subsection (a), the items listed in subsection (a) shall be adjusted by any inflation adjustment required under section 79(a).

SEC. 423. OBLIGATION TO SUPPLY PROPERTY INFORMATION.

(a) OBLIGATION. — All persons owning, occupying, holding security interests in, leasing, or managing immovable property, and all offices having information relating to immovable property (including but not limited to notaries, banks, and utilities such as telephone, electricity, and water) shall be responsible for supplying the Property

Office with such information concerning taxable property as the Tax Administrator may by regulation require.

(b) RIGHT OF INSPECTION. — A designated tax officer may enter upon land, and may enter buildings, at reasonable times for purposes of valuing the property.

(c) VALUATION IN THE ABSENCE OF INFORMATION. — When information required to be furnished under subsection (a) has not been supplied, or when the right of inspection under subsection (b) has been refused, the Property Office may value the property concerned on the basis of such information as is available to it.

CHAPTER 4

NOTIFICATION AND BILLING

SEC. 431. NOTIFICATION.

(a) **DATE OF NOTIFICATION.** — Notification of tax liability shall be issued by the Property Office on or before March 31 of each year.

(b) **FORM OF NOTIFICATION.** — The notification required by subsection (a) shall include at least:

- (1) the identification number of the property,
- (2) the name of the owner, if known,
- (3) the area of land and the area of each building,
- (4) the land base and the building base,
- (5) the tax liability,
- (6) the amount of each installment,
- (7) the date for paying each installment, and
- (8) the place and method of payment.

The notification shall be transmitted by posting in designated places or by such other means as may be set forth in regulations.

(c) **PUBLIC ANNOUNCEMENT.** — Announcement that the notification required by subsection (a) has been made shall be made through publication in an official publication, through publication in at least one newspaper of national circulation, and by such other methods as the Property Office deems necessary.

SEC. 432. BILLING AND PAYMENT.

(a) DESIGNATED PAYMENT POINTS. — The Tax Administrator shall by regulation designate for each geographic region one or more specific points at which tax bills for properties located within that area shall be paid.

(b) TIME OF BILLING. — The tax bills shall be issued and available for payment at each designated payment point not later than April 30 (in the case of the first installment) and October 31 (in the case of the second installment).

(c) DUE DATES. — The tax imposed by section 401 shall be due in 2 equal installments, on May 31 and November 30 of each year.

SEC. 433. APPEALS.

(a) ADMINISTRATIVE APPEALS. — The Tax Administrator shall prescribe regulations governing the time and manner for making administrative appeals contesting tax liability as determined by the Property Office. For additional provisions relating to administrative appeals, see section 571.

(b) PAYMENT REQUIRED FOR JUDICIAL APPEAL. — No appeal from a determination by the Property Office may be made to any court unless the tax liability in dispute has been paid.

CHAPTER 5

ADMINISTRATION; MISCELLANEOUS

SEC. 441. ESTABLISHMENT OF PROPERTY OFFICE.

(a) ESTABLISHMENT. — There is hereby established within the Tax Service an office to be known as the “Property Office.”

(b) FUNCTIONS OF PROPERTY OFFICE. — The Property Office shall be responsible for collecting and enforcing the tax imposed by section 401. Its functions shall include responsibility for identifying and valuing property, preparing and issuing tax notifications and bills, and hearing and determining the administrative appeals described in section 433(a).

SEC. 442. MISCELLANEOUS ENFORCEMENT PROVISIONS.

(a) ADMINISTRATIVE FINE. — Any owner or occupant of any property who fails to supply information in a timely and accurate manner shall be liable for an additional charge equal to 20 percent of the tax liability for such property under section 401 for the taxable year concerned.

(b) OTHER FINES AND PENALTIES. — For additional charges, fines, and penalties, see sections 562 and 566.

(c) INTEREST. — For provision requiring the payment of interest or unpaid tax liability see section 561.

(d) ENFORCEMENT BY LIEN. — Any unpaid tax due under this subtitle shall become a lien on the property in favor of Progresa, whether or not the owner has been identified. Such lien shall be valid

against all other rights in the property and shall have priority over all other liens with respect to such property.

(e) ENFORCEMENT AGAINST OWNER. — For purposes of section 542, the owner of property subject to tax under section 401 shall be considered a person liable to pay such tax. All rights of levy and seizure provided by section 542 shall be available to enforce payment, including (but not limited to) the collection of rents from, and the sale of products of, the property.

(f) NOTICE AND DEMAND. — For purposes of title V, the tax notification and billing under sections 431 and 432 shall constitute notice and demand from the Tax Administrator under section 533.

SEC. 443. REPLACEMENT OF OTHER TAXES ON LAND AND BUILDINGS.

Except to the extent otherwise provided by law or regulations, the tax imposed by section 401 shall supersede and replace all other central, regional, and local taxes on the ownership, occupying, or use of land and buildings.

SUBTITLE B

PROPERTY TAX ON MOTOR VEHICLES

SEC. 461. IMPOSITION OF TAX.

(a) GENERAL RULE. — A tax is hereby imposed on motor vehicles having a situs in Progresa.

(b) AMOUNT OF TAX. — The amount of the tax under subsection (a) on any motor vehicle for any taxable year shall be the product of the value of the vehicle and the rate (not less than 3% and not more than 5%) set forth in the budget for the taxable year.

SEC. 462. TAXABLE MOTOR VEHICLE.

(a) MOTOR VEHICLE DEFINED. — For purposes of this subtitle, the term “motor vehicle” means any passenger car, bus, truck, motorcycle or other vehicle propelled by an internal combustion or other engine and principally designed for the land transport of persons or goods.

(b) SITUS. — A motor vehicle shall have a situs in Progresá if —

(1) a license for its use on the public highways of Progresá has been issued, or

(2) it is normally garaged or parked in Progresá.

SEC. 463. EXEMPTION.

(a) IN GENERAL. — Motor vehicles shall be exempt from the tax imposed by section 461 if owned by —

(1) the central government or a regional or local government, or

(2) a foreign government or international organization.

(b) EXCEPTION FOR COMMERCIAL USE. — Subsection (a) shall not apply to vehicles used or held for use in a commercial-type activity.

SEC. 464. TAX BASE.

(a) JANUARY 1 DETERMINATION. — The value used as the tax base under section 461(b) for any motor vehicle shall be determined by the Tax Service as of January 1 of the taxable year.

(b) TABLE. — For each taxable year the Tax Service shall prepare and publish a table specifying, by make, year, and model the tax bases for motor vehicles. To the maximum extent practicable, the bases shall be derived from the current average retail price (including duties, excise tax, and VAT) revealed in the most recent survey conducted under section 323(a) before the beginning of the taxable year.

(c) MOTOR VEHICLES NOT LISTED. — The table shall also prescribe the method for ascertaining the tax base for a make, year, or model not specifically listed in the table.

SEC. 465. VEHICLES BECOMING TAXABLE DURING YEAR.

(a) IN GENERAL. — In the case of any motor vehicle which becomes taxable under section 461 after January 1, the tax under section 461 for the taxable year shall be the product of —

- (1) $\frac{1}{12}$ of the tax due for a full year, and
- (2) the number of full months remaining in the year.

(b) PART MONTHS. — For purposes of subsection (a), $\frac{1}{2}$ or more of a month shall be counted as a full month, while less than $\frac{1}{2}$ of a month shall be disregarded.

SEC. 466. COLLECTION AND ENFORCEMENT.

(a) **LIABILITY FOR TAX.** — The tax imposed by section 461 shall be paid by the owner of the motor vehicle.

(b) **RETURNS AND PAYMENT.** —

(1) **VEHICLES HELD BEFORE FEBRUARY 16.** — Except as provided in paragraph (2), the owner of a motor vehicle held on January 1 or becoming taxable before February 16 shall file a return and pay the tax on or before March 1 of the taxable year.

(2) **VEHICLES BECOMING TAXABLE AFTER FEBRUARY 15.** — In the case of any motor vehicle becoming taxable after February 15, the owner shall file a return and pay the tax on or before the 15th day after the date of acquisition (or the date the situs of the vehicle changes to Progresá, as the case may be).

(c) **COORDINATION WITH VEHICLE LICENSING.** — The agency or agencies having responsibility for licensing motor vehicles for operation on the public highways or Progresá shall take such steps as may be necessary to ensure that licenses for such vehicles shall be issued, and shall remain valid, only so long as the requirements of this subtitle (and the regulations prescribed thereunder) are being complied with.

SUBTITLE C
GROSS ASSET TAX

CHAPTER 1
IN GENERAL

SEC. 471. IMPOSITION.

(a) **IN GENERAL.** — A tax is hereby imposed for each taxable year on the gross assets of every resident entity (as defined in section 12(i)).

(b) **AMOUNT OF TAX.** — The amount of the tax is 2 percent of the tax base for the taxable year.

(c) **GROSS ASSET TAX.** — For purposes of this subtitle, the term “gross asset tax” means the tax imposed by subsection (a).

SEC. 472. EXEMPTIONS.

(a) **GOVERNMENTAL AND NONPROFIT ORGANIZATIONS.** —

(1) **IN GENERAL.** — Except as provided in paragraph (2), a governmental or nonprofit organization the income from which is exempt from income tax under section 91 shall be exempt from the gross asset tax.

(2) **ASSETS OF BUSINESS ACTIVITIES INCLUDED.** — The gross assets of an unrelated business (within the meaning of section 92(b)) shall be subject to gross asset tax.

(b) NEW ENTITIES. —

(1) IN GENERAL. — A new entity shall be exempt from gross asset tax for the taxable year it begins operations and for the next 2 taxable years.

(2) SUCCESSOR, CONTROLLED, AND HOLDING ENTITIES. — The term “new entity” does not include an entity —

(A) that, pursuant to a reorganization, purchase, or other acquisition has succeeded to a business operation that has been in existence for more than 12 months,

(B) that is under the control (within the meaning of section 12(l)) of the same person or persons as any other entity, or

(C) that is a mere holding entity for interests in other entities or activities.

(c) ENTITIES BEING LIQUIDATED. — An entity that has been completely liquidated shall be exempt from gross asset tax for its final taxable year.

SEC. 473. TAX BASE; GROSS ASSETS.

(a) GENERAL RULE. — Except as otherwise provided by regulations, the tax base of the tax imposed by section 471 shall be the value of the entity’s gross assets.

(b) GROSS ASSETS DEFINED. —

(1) IN GENERAL. — Except as otherwise provided in regulations, the term “gross assets” means all assets of the entity.

(2) ASSETS INCLUDED. — The term “gross assets” includes (but is not limited to):

(A) land,

(B) depreciable and other tangible assets (including inventories),

(C) intangible assets (including securities, goodwill, and brand names), and

(D) cash and cash equivalents.

(c) EXCLUSIONS FROM GROSS ASSETS. —

(1) EXCLUSION OF FIRST PR 1,000,000. — Except as provided in paragraph (2), the first PR 1,000,000 in value of the gross assets of the entity for the taxable year shall be excluded from the tax base.

(2) CONTROLLED ENTITIES. — If two or more entities are under the control (within the meaning of section 12(l)) of the same person or persons, the exclusion of each such entity under paragraph (1) shall be PR 1,000,000, divided by the number of entities under such common control.

(3) INVESTMENTS IN 20-PERCENT OWNED ENTITIES. —

The term “gross assets” does not include stock or indebtedness of another entity if the taxpayer owns 20 percent or more in value of the stock in such other entity.

(d) SPECIAL TAX BASE FOR CERTAIN ENTITIES. —

(1) INSURANCE COMPANIES. — The tax base for a life insurance company shall be reduced by an amount equal to the cash surrender value of the life insurance policies for which it is liable as an insurer or reinsurer.

(2) BANKS, ETC. — In the case of a bank, savings institution, or credit union, the tax base attributable to loans made in the course of its banking activity shall be determined by including only 1/8 of the value of such loans.

(3) PERMANENT ESTABLISHMENT OF NONRESIDENT ENTITIES. — In the case of a permanent establishment in Progresá of a nonresident person, the gross assets taken into account shall be only those assets attributable to the permanent establishment.

(e) ASSETS OWNED BY THE ENTITY. —

(1) IN GENERAL. — Except as otherwise provided in this subtitle or in regulations, the assets taken into account are those owned by the entity on the valuation date.

(2) CERTAIN LEASED ASSETS. — Except as otherwise provided in regulations, all assets leased from a person not subject to the gross asset tax shall be included in the tax base of the lessee.

(3) WASH DISPOSITION RULES. — If any asset disposed of by the taxpayer during the preceding taxable year is reacquired during the current taxable year, the taxpayer shall be treated as owning such asset on the valuation date. A similar rule shall apply where the taxpayer acquires substantially identical assets (as defined in regulations) to assets disposed of during the preceding year.

SEC. 474. VALUATION.

(a) INCOME TAX VALUE USED. — Except as otherwise provided in regulations, the value of any asset for purposes of this subtitle shall be its adjusted basis (or other value placed on it for purposes of the income tax of title I), determined as of the valuation date.

(b) VALUATION DATE. — For purposes of this subtitle, the term “valuation date” means the first day of the taxable year.

SEC. 475. RETURNS AND PAYMENT.

(a) RETURN OF TAX. — Every entity subject to tax under section 471 for any taxable year shall file a return on or before March 31 of the next taxable year.

(b) PAYMENT OF TAX. — Any tax liability under this subtitle for the taxable year (after the application of credits under section 481) shall be due and payable at the time for filing the return.

CHAPTER 2

CREDITS FOR INCOME TAX PAID

SEC. 481. ALLOWANCE OF CREDIT.

The tax imposed by section 471 shall be credited with any tax paid or incurred under section 1 by the taxpayer for the same taxable year.

SEC. 482. CARRYOVERS OF INCOME TAX IN EXCESS OF ASSET TAX.

(a) IN GENERAL. — If the amount of the tax under section 1 paid or incurred by the taxpayer for the taxable year exceeds the taxpayer's liability for tax under section 471 for such year, such excess may be carried back for 3 taxable years and forward for 5 taxable years and allowed as a credit against the tax imposed by section 471 for such years.

(b) AMOUNT CARRIED. — The entire amount of the excess shall be carried to the 3rd preceding taxable year. The portion of the excess which may be carried to each of the other preceding and succeeding taxable years shall be the excess (if any) of the amount of such excess over the sum of the portions of such excess already allowed as a credit carryover.

(c) LIMITATIONS ON CARRYOVERS. —

(1) YEARS NOT SUBJECT TO GROSS ASSET TAX. —

No carryback or carryforward shall be allowed from a

taxable year in which the entity was a new entity or was otherwise not subject to tax.

(2) CARRYFORWARDS DO NOT SURVIVE REORGANIZATIONS. — No carryforward shall be allowed under this section from a taxable year in which the entity was a party to a reorganization.